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# Changes Requirements for Certain Property Owners to Transfer Their Property Tax Base to Replacement Property. Initiative Constitutional Amendment and Statute.

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CALIFORNIA ASSOCIATION OF REALTORS®

August 9, 2017

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Ashley Johansson, Initiative Coordinator  
Office of the Attorney General  
1300 I Street, 17<sup>th</sup> Floor  
Sacramento, CA 95814

INITIATIVE COORDINATOR  
ATTORNEY GENERAL'S OFFICE

Re: People's Initiative to Protect Proposition 13 Savings, Version 2 (17-0012)

Dear Ms. Johansson:

When we met with representatives of the Legislative Analyst's Office to discuss the fiscal analysis of the initiative that has been submitted by the California Association of REALTORS®, they identified an error in the initiative as drafted by Legislative Counsel.

The initiative specifies the method for calculating the base year value of the replacement property if the full cash value of the replacement property is equal to or less than the full cash value of the original property. The formula erroneously refers to "replacement" property when it should have referred to "original" property. The enclosed copy of Version 2 has been corrected; the correction is highlighted in yellow.

I respectfully request that the Attorney General prepare a title and summary for the amended language.

If you have any questions, please contact Christopher C. Carlisle, 1121 L Street, Suite 600, Sacramento, CA 95814; (916) 492-5200.

Sincerely,

Alexander E. Creel  
Senior Vice-President Governmental Affairs

Enclosure



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**VERSION 2; with amendments**

SECTION 1. This act shall be known, and shall be cited, as the People's Initiative to Protect Proposition 13 Savings.

SECTION 2. Section 2 of Article XIII A of the State Constitution is amended to read:

SEC. 2. (a) (1) The "full cash value" means the county assessor's valuation of real property as shown on the 1975-76 tax bill under "full cash value" or, thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred after the 1975 assessment. All real property not already assessed up to the 1975-76 full cash value may be reassessed to reflect that valuation. For purposes of this section, "newly constructed" does not include real property that is reconstructed after a disaster, as declared by the Governor, where the fair market value of the real property, as reconstructed, is comparable to its fair market value prior to the disaster. For purposes of this section, the term "newly constructed" does not include that portion of an existing structure that consists of the construction or reconstruction of seismic retrofitting components, as defined by the Legislature.

However, the

(2) On and after November 5, 1986, and until January 1, 2019, the Legislature may provide that, under appropriate circumstances and pursuant to definitions and procedures established by the Legislature, any person over the age of 55 years who resides in property that is eligible for the homeowner's exemption under subdivision (k) of Section 3 of Article XIII and any implementing legislation may transfer the base year value of the property entitled to exemption, with the adjustments authorized by subdivision (b), to any replacement dwelling of equal or lesser value located within the same county and purchased or newly constructed by that person as his or her principal residence within two years of the sale of the original property. ~~For~~

(3) (A) For purposes of this section, "any the following definitions shall apply:

(i) “Any person over the age of 55 years” includes a married couple one member of which is over the age of 55 years. ~~For purposes of this section,~~  
~~“replacement~~

(ii) “Replacement dwelling” means a building, structure, or other shelter constituting a place of abode, whether real property or personal property, and any land on which it may be situated. For purposes of this section, a two-dwelling unit shall be considered as two separate single-family dwellings. ~~This~~

(B) This paragraph shall apply to any replacement dwelling that was purchased or newly constructed on or after November 5, 1986.

~~In addition, the~~

(4) On and after November 9, 1988, and until January 1, 2019, the Legislature may authorize each county board of supervisors, after consultation with the local affected agencies within the county’s boundaries, to adopt an ordinance making the provisions of this subdivision relating to transfer of base year value also applicable to situations in which the replacement dwellings are located in that county and the original properties are located in another county within this State. For purposes of this paragraph, “local affected agency” means any city, special district, school district, or community college district that receives an annual property tax revenue allocation. This paragraph applies to any replacement dwelling that was purchased or newly constructed on or after the date the county adopted the provisions of this subdivision relating to transfer of base year value, but does not apply to any replacement dwelling that was purchased or newly constructed before November 9, 1988.

~~The~~

(5) On and after June 6, 1990, and until January 1, 2019, the Legislature may extend the provisions of this subdivision relating to the transfer of base year values from original properties to replacement dwellings of homeowners over the age of 55 years to severely disabled homeowners, but only with respect to those replacement dwellings purchased or newly constructed on or after the effective

date of this paragraph.

(6) (A) On and after January 1, 2019, subject to applicable procedures and definitions as provided by statute, the base year value of property that is eligible for the homeowner's exemption under subdivision (k) of Section 3 of Article XIII of any person, regardless of age or disability, shall be transferred to any replacement dwelling, regardless of the number of prior transfers, the value of the replacement dwelling, that is located within the same county and is purchased or newly constructed by that person as his or her principal residence within two years of the sale of the original property.

(B) For purposes of this paragraph, the following shall apply:

(i) For any replacement dwelling of greater value and purchased or newly constructed by a person eligible to transfer the base year value of his or her original property, the base year value of the replacement dwelling shall be calculated by adding the difference between the full cash value of the original property and the full cash value of the replacement dwelling to the base year value of the original property.

(ii) For any replacement dwelling of equal or lesser value purchased or newly constructed by a person eligible to transfer the base year value of his or her original property, the base year value of the replacement dwelling shall be calculated by dividing the base year value of the original property by the full cash value of the original property, and multiplying the result by the full cash value of the replacement dwelling.

(C) A county board of supervisors may, in the same manner as provided in paragraph (4), adopt an ordinance making the provisions of this paragraph applicable in situations in which the replacement dwelling is located in that county and the original property is located in another county.

(b) The full cash value base may reflect from year to year the inflationary rate not to exceed 2 percent for any given year or reduction as shown in the consumer price index or comparable data for the area under taxing jurisdiction,

or may be reduced to reflect substantial damage, destruction, or other factors causing a decline in value.

(c) For purposes of subdivision (a), the Legislature may provide that the term “newly constructed” does not include any of the following:

(1) The construction or addition of any active solar energy system.

(2) The construction or installation of any fire sprinkler system, other fire extinguishing system, fire detection system, or fire-related egress improvement, as defined by the Legislature, that is constructed or installed after the effective date of this paragraph.

(3) The construction, installation, or modification on or after the effective date of this paragraph of any portion or structural component of a single- or multiple-family dwelling that is eligible for the homeowner’s exemption if the construction, installation, or modification is for the purpose of making the dwelling more accessible to a severely disabled person.

(4) The construction, installation, removal, or modification on or after the effective date of this paragraph of any portion or structural component of an existing building or structure if the construction, installation, removal, or modification is for the purpose of making the building more accessible to, or more usable by, a disabled person.

(d) For purposes of this section, the term “change in ownership” does not include the acquisition of real property as a replacement for comparable property if the person acquiring the real property has been displaced from the property replaced by eminent domain proceedings, by acquisition by a public entity, or governmental action that has resulted in a judgment of inverse condemnation. The real property acquired shall be deemed comparable to the property replaced if it is similar in size, utility, and function, or if it conforms to state regulations defined by the Legislature governing the relocation of persons displaced by governmental actions. This subdivision applies to any property acquired after March 1, 1975, but affects only those assessments of that property that occur after the provisions

of this subdivision take effect.

(e) (1) (A) Notwithstanding any other provision of this section, the Legislature shall provide that the base year value of property that is substantially damaged or destroyed by a disaster, as declared by the Governor, may be transferred to comparable property within the same county that is acquired or newly constructed as a replacement for the substantially damaged or destroyed property.

(2)

(B) Except as provided in ~~paragraph (3)~~, subparagraph (C), this ~~subdivision~~ paragraph applies to any comparable replacement property acquired or newly constructed on or after July 1, 1985, until January 1, 2019, and to the determination of base year values for the 1985–86 fiscal year and fiscal years thereafter. until the 2018–19 fiscal year.

(3)

(C) (i) In addition to the transfer of base year value of property within the same county that is permitted by ~~paragraph (1)~~, subparagraph (A), the Legislature may authorize each county board of supervisors to adopt, after consultation with affected local agencies within the county, an ordinance allowing the transfer of the base year value of property that is located within another county in the State and is substantially damaged or destroyed by a disaster, as declared by the Governor, to comparable replacement property of equal or lesser value that is located within the adopting county and is acquired or newly constructed within three years of the substantial damage or destruction of the original property as a replacement for that property. The scope and amount of the benefit provided to a property owner by the transfer of base year value of property pursuant to this paragraph shall not exceed the scope and amount of the benefit provided to a property owner by the transfer of base year value of property pursuant to subdivision (a). For purposes of this ~~paragraph~~, subparagraph, “affected local agency” means any city, special district, school district, or community college

district that receives an annual allocation of ad valorem property tax revenues.

~~This paragraph~~

(ii) This subparagraph applies to any comparable replacement property that is acquired or newly constructed as a replacement for property substantially damaged or destroyed by a disaster, as declared by the Governor, occurring on or after October 20, 1991, and before January 1, 2019, and to the determination of base year values for the 1991–92 fiscal year and fiscal years thereafter. until the 2018–19 fiscal year.

(2) (A) Notwithstanding any other provision of this section, on and after January 1, 2019, the base year value of property that is substantially damaged or destroyed by a disaster, as declared by the Governor, shall be transferred to any property within the same county that is acquired or newly constructed as a replacement for the substantially damaged or destroyed property, regardless of whether that replacement property is comparable, as specified in paragraph (2) of subdivision (f).

(B) For purposes of this paragraph, the following shall apply:

(i) For any replacement property of greater value and purchased or newly constructed by a person eligible to transfer the base year value of his or her original property, the base year value of the replacement property shall be calculated by adding the difference between the full cash value of the original property and the full cash value of the replacement property to the base year value of the original property.

(ii) For any replacement property of equal or lesser value purchased or newly constructed by a person eligible to transfer the base year value of his or her original property, the base year value of the replacement property shall be calculated by dividing the base year value of the original property by the full cash value of the original property, and multiplying the result by the full cash value of the replacement property.

(C) A county board of supervisors may, in the same manner as provided in



subparagraph (C) of paragraph (1), adopt an ordinance making the provisions of this paragraph applicable to situations in which the replacement property is located in that county and the original property is located in another county.

(f) For the purposes of subdivision (e):

(1) Property is substantially damaged or destroyed if it sustains physical damage amounting to more than 50 percent of its value immediately before the disaster. Damage includes a diminution in the value of property as a result of restricted access caused by the disaster.

(2) Replacement property is comparable to the property substantially damaged or destroyed if it is similar in size, utility, and function to the property that it replaces, and if the fair market value of the acquired property is comparable to the fair market value of the replaced property prior to the disaster.

(g) For purposes of subdivision (a), the terms “purchased” and “change in ownership” do not include the purchase or transfer of real property between spouses since March 1, 1975, including, but not limited to, all of the following:

(1) Transfers to a trustee for the beneficial use of a spouse, or the surviving spouse of a deceased transferor, or by a trustee of such a trust to the spouse of the trustor.

(2) Transfers to a spouse that take effect upon the death of a spouse.

(3) Transfers to a spouse or former spouse in connection with a property settlement agreement or decree of dissolution of a marriage or legal separation.

(4) The creation, transfer, or termination, solely between spouses, of any coowner’s interest.

(5) The distribution of a legal entity’s property to a spouse or former spouse in exchange for the interest of the spouse in the legal entity in connection with a property settlement agreement or a decree of dissolution of a marriage or legal separation.

(h) (1) For purposes of subdivision (a), the terms “purchased” and “change in ownership” do not include the purchase or transfer of the principal residence

of the transferor in the case of a purchase or transfer between parents and their children, as defined by the Legislature, and the purchase or transfer of the first one million dollars (\$1,000,000) of the full cash value of all other real property between parents and their children, as defined by the Legislature. This subdivision applies to both voluntary transfers and transfers resulting from a court order or judicial decree.

(2) (A) Subject to subparagraph (B), commencing with purchases or transfers that occur on or after the date upon which the measure adding this paragraph becomes effective, the exclusion established by paragraph (1) also applies to a purchase or transfer of real property between grandparents and their grandchild or grandchildren, as defined by the Legislature, that otherwise qualifies under paragraph (1), if all of the parents of that grandchild or those grandchildren, who qualify as the children of the grandparents, are deceased as of the date of the purchase or transfer.

(B) A purchase or transfer of a principal residence shall not be excluded pursuant to subparagraph (A) if the transferee grandchild or grandchildren also received a principal residence, or interest therein, through another purchase or transfer that was excludable pursuant to paragraph (1). The full cash value of any real property, other than a principal residence, that was transferred to the grandchild or grandchildren pursuant to a purchase or transfer that was excludable pursuant to paragraph (1), and the full cash value of a principal residence that fails to qualify for exclusion as a result of the preceding sentence, shall be included in applying, for purposes of subparagraph (A), the one-million-dollar (\$1,000,000) full cash value limit specified in paragraph (1).

(i) (1) Notwithstanding any other provision of this section, except as otherwise provided in paragraph (5), the Legislature shall provide with respect to a qualified contaminated property, as defined in paragraph (2), that either, but not both, of the following apply:

(A) (i) Subject to the limitation of clause (ii), on and after November 4,

1998, and until January 1, 2019, the base year value of the qualified contaminated property, as adjusted as authorized by subdivision (b), may be transferred to a replacement property that is acquired or newly constructed as a replacement for the qualified contaminated property, if the replacement real property has a fair market value that is equal to or less than the fair market value of the qualified contaminated property if that property were not contaminated and, except as otherwise provided by this clause, is located within the same county. The base year value of the qualified contaminated property may be transferred to a replacement real property located within another county if the board of supervisors of that other county has, after consultation with the affected local agencies within that county, adopted a resolution authorizing an intercounty transfer of base year value as so described.

(ii) This subparagraph applies only to replacement property that is acquired or newly constructed within five years after ownership in the qualified contaminated property is sold or otherwise transferred.

(B) In the case in which the remediation of the environmental problems on the qualified contaminated property requires the destruction of, or results in substantial damage to, a structure located on that property, the term “new construction” does not include the repair of a substantially damaged structure, or the construction of a structure replacing a destroyed structure on the qualified contaminated property, performed after the remediation of the environmental problems on that property, provided that the repaired or replacement structure is similar in size, utility, and function to the original structure.

(2) For purposes of this subdivision, “qualified contaminated property” means residential or nonresidential real property that is all of the following:

(A) In the case of residential real property, rendered uninhabitable, and in the case of nonresidential real property, rendered unusable, as the result of either environmental problems, in the nature of and including, but not limited to, the presence of toxic or hazardous materials, or the remediation of those environmental

problems, except where the existence of the environmental problems was known to the owner, or to a related individual or entity as described in paragraph (3), at the time the real property was acquired or constructed. For purposes of this subparagraph, residential real property is “uninhabitable” if that property, as a result of health hazards caused by or associated with the environmental problems, is unfit for human habitation, and nonresidential real property is “unusable” if that property, as a result of health hazards caused by or associated with the environmental problems, is unhealthy and unsuitable for occupancy.

(B) Located on a site that has been designated as a toxic or environmental hazard or as an environmental cleanup site by an agency of the State of California or the federal government.

(C) Real property that contains a structure or structures thereon prior to the completion of environmental cleanup activities, and that structure or structures are substantially damaged or destroyed as a result of those environmental cleanup activities.

(D) Stipulated by the lead governmental agency, with respect to the environmental problems or environmental cleanup of the real property, not to have been rendered uninhabitable or unusable, as applicable, as described in subparagraph (A), by any act or omission in which an owner of that real property participated or acquiesced.

(3) It shall be rebuttably presumed that an owner of the real property participated or acquiesced in any act or omission that rendered the real property uninhabitable or unusable, as applicable, if that owner is related to any individual or entity that committed that act or omission in any of the following ways:

(A) Is a spouse, parent, child, grandparent, grandchild, or sibling of that individual.

(B) Is a corporate parent, subsidiary, or affiliate of that entity.

(C) Is an owner of, or has control of, that entity.

(D) Is owned or controlled by that entity.

If this presumption is not overcome, the owner shall not receive the relief provided for in subparagraph (A) or (B) of paragraph (1). The presumption may be overcome by presentation of satisfactory evidence to the assessor, who shall not be bound by the findings of the lead governmental agency in determining whether the presumption has been overcome.

(4) This subdivision applies only to replacement property that is acquired or constructed on or after January 1, 1995, and to property repairs performed on or after that date.

(5) (A) Notwithstanding any other provision of this section, on and after January 1, 2019, and subject to the limitation of clause (ii) of subparagraph (A) of paragraph (1), the base year value of the qualified contaminated property shall be transferred to a replacement property that is acquired or newly constructed as a replacement for the qualified contaminated property, regardless of whether the replacement real property has a fair market value that is equal to or less than the fair market value of the qualified contaminated property if that property were not contaminated, that is located within the same county.

(B) For purposes of this paragraph, the following shall apply:

(i) For any replacement property of greater value and purchased or newly constructed by a person eligible to transfer the base year value of his or her original property pursuant to this clause, the base year value of the replacement property shall be calculated by adding the difference between the full cash value of the original property and the full cash value of the replacement property to the base year value of the original property.

(ii) For any replacement property of equal or lesser value purchased or newly constructed by a person eligible to transfer the base year value of his or her original property pursuant to this clause, the base year value of the replacement property shall be calculated by dividing the base year value of the original property by the full cash value of the original property, and multiplying the result by the full cash value of the replacement property.

(iii) A county board of supervisors may, in the same manner as provided in clause (i) of subparagraph (A) of paragraph (1), adopt an ordinance making the provisions of this paragraph applicable to situations in which the replacement property is located in that county and the original property is located in another county.

(j) Unless specifically provided otherwise, amendments to this section adopted prior to November 1, 1988, are effective for changes in ownership that occur, and new construction that is completed, after the effective date of the amendment. Unless specifically provided otherwise, amendments to this section adopted after November 1, 1988, are effective for changes in ownership that occur, and new construction that is completed, on or after the effective date of the amendment.

SECTION 3. Section 69.5 of the Revenue and Taxation Code is amended to read:

69.5. (a) (1) Notwithstanding any other provision of law, pursuant to subdivision (a) of Section 2 of Article XIII A of the California Constitution, any person over the age of 55 years, or any severely and permanently disabled person, who resides in property that is eligible for the homeowners' exemption under subdivision (k) of Section 3 of Article XIII of the California Constitution and Section 218 may transfer, subject to the conditions and limitations provided in this section, the base year value of that property to any replacement dwelling of equal or lesser value that is located within the same county and is purchased or newly constructed by that person as his or her principal residence within two years of the sale by that person of the original property, provided that the base year value of the original property shall not be transferred to the replacement dwelling until the original property is sold.

(2) Notwithstanding the limitation in paragraph (1) requiring that the original property and the replacement dwelling be located in the same county, this limitation shall not apply in any county in which the county board of supervisors, after consultation with local affected agencies within the boundaries of the county, adopts an ordinance making the provisions of paragraph (1) also applicable to situations in which

replacement dwellings are located in that county and the original properties are located in another county within this state. The authorization contained in this paragraph shall be applicable in a county only if the ordinance adopted by the board of supervisors complies with all of the following requirements:

(A) It is adopted only after consultation between the board of supervisors and all other local affected agencies within the county's boundaries.

(B) It requires that all claims for transfers of base year value from original property located in another county be granted if the claims meet the applicable requirements of both subdivision (a) of Section 2 of Article XIII A of the California Constitution and this section.

(C) It requires that all base year valuations of original property located in another county and determined by its assessor be accepted in connection with the granting of claims for transfers of base year value.

(D) It provides that its provisions are operative for a period of not less than five years.

(E) The ordinance specifies the date on and after which its provisions shall be applicable. However, the date specified shall not be earlier than November 9, 1988. The specified applicable date may be a date earlier than the date the county adopts the ordinance.

(b) In addition to meeting the requirements of subdivision (a), any person claiming the property tax relief provided by this section shall be eligible for that relief only if the following conditions are met:

(1) The claimant is an owner and a resident of the original property either at the time of its sale, or at the time when the original property was substantially damaged or destroyed by misfortune or calamity, or within two years of the purchase or new construction of the replacement dwelling.

(2) The original property is eligible for the homeowners' exemption, as the result of the claimant's ownership and occupation of the property as his or her principal residence, either at the time of its sale, or at the time when the original property was

substantially damaged or destroyed by misfortune or calamity, or within two years of the purchase or new construction of the replacement dwelling.

(3) At the time of the sale of the original property, the claimant or the claimant's spouse who resides with the claimant is at least 55 years of age, or is severely and permanently disabled.

(4) At the time of claiming the property tax relief provided by subdivision (a), the claimant is an owner of a replacement dwelling and occupies it as his or her principal place of residence and, as a result thereof, the property is currently eligible for the homeowners' exemption or would be eligible for the exemption except that the property is already receiving the exemption because of an exemption claim filed by the previous owner.

(5) The original property of the claimant is sold by him or her within two years of the purchase or new construction of the replacement dwelling. For purposes of this paragraph, the purchase or new construction of the replacement dwelling includes the purchase of that portion of land on which the replacement building, structure, or other shelter constituting a place of abode of the claimant will be situated and that, pursuant to paragraph (3) of subdivision (g), constitutes a part of the replacement dwelling.

(6) Except as otherwise provided in paragraph (2) of subdivision (a), the replacement dwelling, including that portion of land on which it is situated that is specified in paragraph (5), is located entirely within the same county as the claimant's original property.

(7) The claimant has not previously been granted, as a claimant, the property tax relief provided by this section, except that this paragraph shall not apply to any person who becomes severely and permanently disabled subsequent to being granted, as a claimant, the property tax relief provided by this section for any person over the age of 55 years. In order to prevent duplication of claims under this section within this state, county assessors shall report quarterly to the State Board of Equalization that information from claims filed in accordance with subdivision (f) and from county records as is specified by the board necessary to identify fully all claims under this



section allowed by assessors and all claimants who have thereby received relief. The board may specify that the information include all or a part of the names and social security numbers of claimants and their spouses and the identity and location of the replacement dwelling to which the claim applies. The information may be required in the form of data processing media or other media and in a format that is compatible with the recordkeeping processes of the counties and the auditing procedures of the state.

(c) The property tax relief provided by this section shall be available if the original property or the replacement dwelling, or both, of the claimant includes, but is not limited to, either of the following:

(1) A unit or lot within a cooperative housing corporation, a community apartment project, a condominium project, or a planned unit development. If the unit or lot constitutes the original property of the claimant, the assessor shall transfer to the claimant's replacement dwelling only the base year value of the claimant's unit or lot and his or her share in any common area reserved as an appurtenance of that unit or lot. If the unit or lot constitutes the replacement dwelling of the claimant, the assessor shall transfer the base year value of the claimant's original property only to the unit or lot of the claimant and any share of the claimant in any common area reserved as an appurtenance of that unit or lot.

(2) A manufactured home or a manufactured home and any land owned by the claimant on which the manufactured home is situated. For purposes of this paragraph, "land owned by the claimant" includes a pro rata interest in a resident-owned mobilehome park that is assessed pursuant to subdivision (b) of Section 62.1.

(A) If the manufactured home or the manufactured home and the land on which it is situated constitutes the claimant's original property, the assessor shall transfer to the claimant's replacement dwelling either the base year value of the manufactured home or the base year value of the manufactured home and the land on which it is situated, as appropriate. If the manufactured home dwelling that constitutes the original property of the claimant includes an interest in a resident-owned mobilehome park,

the assessor shall transfer to the claimant's replacement dwelling the base year value of the claimant's manufactured home and his or her pro rata portion of the real property of the park. No transfer of base year value shall be made by the assessor of that portion of land that does not constitute a part of the original property, as provided in paragraph (4) of subdivision (g).

(B) If the manufactured home or the manufactured home and the land on which it is situated constitutes the claimant's replacement dwelling, the assessor shall transfer the base year value of the claimant's original property either to the manufactured home or the manufactured home and the land on which it is situated, as appropriate. If the manufactured home dwelling that constitutes the replacement dwelling of the claimant includes an interest in a resident-owned mobilehome park, the assessor shall transfer the base year value of the claimant's original property to the manufactured home of the claimant and his or her pro rata portion of the park. No transfer of base year value shall be made by the assessor to that portion of land that does not constitute a part of the replacement dwelling, as provided in paragraph (3) of subdivision (g).

This subdivision shall be subject to the limitations specified in subdivision (d).

(d) The property tax relief provided by this section shall be available to a claimant who is the coowner of the original property, as a joint tenant, a tenant in common, a community property owner, or a present beneficiary of a trust subject to the following limitations:

(1) If a single replacement dwelling is purchased or newly constructed by all of the coowners and each coowner retains an interest in the replacement dwelling, the claimant shall be eligible under this section whether or not any or all of the remaining coowners would otherwise be eligible claimants.

(2) If two or more replacement dwellings are separately purchased or newly constructed by two or more coowners and more than one coowner would otherwise be an eligible claimant, only one coowner shall be eligible under this section. These coowners shall determine by mutual agreement which one of them shall be deemed eligible.

(3) If two or more replacement dwellings are separately purchased or newly constructed by two coowners who held the original property as community property, only the coowner who has attained the age of 55 years, or is severely and permanently disabled, shall be eligible under this section. If both spouses are over 55 years of age, they shall determine by mutual agreement which one of them is eligible.

In the case of coowners whose original property is a multiunit dwelling, the limitations imposed by paragraphs (2) and (3) shall only apply to coowners who occupied the same dwelling unit within the original property at the time specified in paragraph (2) of subdivision (b).

(e) Upon the sale of original property, the assessor shall determine a new base year value for that property in accordance with subdivision (a) of Section 2 of Article XIII A of the California Constitution and Section 110.1, whether or not a replacement dwelling is subsequently purchased or newly constructed by the former owner or owners of the original property.

This section shall not apply unless the transfer of the original property is a change in ownership that either (1) subjects that property to reappraisal at its current fair market value in accordance with Section 110.1 or 5803 or (2) results in a base year value determined in accordance with this section, Section 69, or Section 69.3 because the property qualifies under this section, Section 69, or Section 69.3 as a replacement dwelling or property.

(f) (1) A claimant shall not be eligible for the property tax relief provided by this section unless the claimant provides to the assessor, on a form that shall be designed by the State Board of Equalization and that the assessor shall make available upon request, the following information:

(A) The name and social security number of each claimant and of any spouse of the claimant who is a record owner of the replacement dwelling.

(B) Proof that the claimant or the claimant's spouse who resided on the original property with the claimant was, at the time of its sale, at least 55 years of age, or severely and permanently disabled. Proof of severe and permanent disability shall be

considered a certification, signed by a licensed physician and surgeon of appropriate specialty, attesting to the claimant's severely and permanently disabled condition. In the absence of available proof that a person is over 55 years of age, the claimant shall certify under penalty of perjury that the age requirement is met. In the case of a severely and permanently disabled claimant either of the following shall be submitted:

(i) A certification, signed by a licensed physician or surgeon of appropriate specialty that identifies specific reasons why the disability necessitates a move to the replacement dwelling and the disability-related requirements, including any locational requirements, of a replacement dwelling. The claimant shall substantiate that the replacement dwelling meets disability-related requirements so identified and that the primary reason for the move to the replacement dwelling is to satisfy those requirements. If the claimant, or the claimant's spouse or guardian, so declares under penalty of perjury, it shall be rebuttably presumed that the primary purpose of the move to the replacement dwelling is to satisfy identified disability-related requirements.

(ii) The claimant's substantiation that the primary purpose of the move to the replacement dwelling is to alleviate financial burdens caused by the disability. If the claimant, or the claimant's spouse or guardian, so declares under penalty of perjury, it shall be rebuttably presumed that the primary purpose of the move is to alleviate the financial burdens caused by the disability.

(C) The address and, if known, the assessor's parcel number of the original property.

(D) The date of the claimant's sale of the original property and the date of the claimant's purchase or new construction of a replacement dwelling.

(E) A statement by the claimant that he or she occupied the replacement dwelling as his or her principal place of residence on the date of the filing of his or her claim.

(F) Any claim under this section shall be filed within three years of the date the replacement dwelling was purchased or the new construction of the replacement dwelling was completed subject to subdivision (k) or (m).

(2) A claim for transfer of base year value under this section that is filed after

the expiration of the filing period set forth in subparagraph (F) of paragraph (1) shall be considered by the assessor, subject to all of the following conditions:

(A) Any base year value transfer granted pursuant to that claim shall apply commencing with the lien date of the assessment year in which the claim is filed.

(B) The full cash value of the replacement property in the assessment year described in subparagraph (A) shall be the base year value of the real property in the assessment year in which the base year value was transferred, factored to the assessment year described in subparagraph (A) for both of the following:

(i) Inflation as annually determined in accordance with paragraph (1) of subdivision (a) of Section 51.

(ii) Any subsequent new construction occurring with respect to the subject real property that does not qualify for property tax relief pursuant to the criteria set forth in subparagraphs (A) and (B) of paragraph (4) of subdivision (h).

(g) For purposes of this section:

(1) "Person over the age of 55 years" means any person or the spouse of any person who has attained the age of 55 years or older at the time of the sale of the original property.

(2) "Base year value of the original property" means its base year value, as determined in accordance with Section 110.1, with the adjustments permitted by subdivision (b) of Section 2 of Article XIII A of the California Constitution and subdivision (f) of Section 110.1, determined as of the date immediately prior to the date that the original property is sold by the claimant, or in the case where the original property has been substantially damaged or destroyed by misfortune or calamity and the owner does not rebuild on the original property, determined as of the date immediately prior to the misfortune or calamity.

If the replacement dwelling is purchased or newly constructed after the transfer of the original property, "base year value of the original property" also includes any inflation factor adjustments permitted by subdivision (f) of Section 110.1 for the period subsequent to the sale of the original property. The base year or years used to compute

the “base year value of the original property” shall be deemed to be the base year or years of any property to which that base year value is transferred pursuant to this section.

(3) “Replacement dwelling” means a building, structure, or other shelter constituting a place of abode, whether real property or personal property, that is owned and occupied by a claimant as his or her principal place of residence, and any land owned by the claimant on which the building, structure, or other shelter is situated. For purposes of this paragraph, land constituting a part of a replacement dwelling includes only that area of reasonable size that is used as a site for a residence, and “land owned by the claimant” includes land for which the claimant either holds a leasehold interest described in subdivision (c) of Section 61 or a land purchase contract. Each unit of a multiunit dwelling shall be considered a separate replacement dwelling. For purposes of this paragraph, “area of reasonable size that is used as a site for a residence” includes all land if any nonresidential uses of the property are only incidental to the use of the property as a residential site. For purposes of this paragraph, “land owned by the claimant” includes an ownership interest in a resident-owned mobilehome park that is assessed pursuant to subdivision (b) of Section 62.1.

(4) “Original property” means a building, structure, or other shelter constituting a place of abode, whether real property or personal property, that is owned and occupied by a claimant as his or her principal place of residence, and any land owned by the claimant on which the building, structure, or other shelter is situated. For purposes of this paragraph, land constituting a part of the original property includes only that area of reasonable size that is used as a site for a residence, and “land owned by the claimant” includes land for which the claimant either holds a leasehold interest described in subdivision (c) of Section 61 or a land purchase contract. Each unit of a multiunit dwelling shall be considered a separate original property. For purposes of this paragraph, “area of reasonable size that is used as a site for a residence” includes all land if any nonresidential uses of the property are only incidental to the use of the property as a residential site. For purposes of this paragraph, “land owned by the claimant” includes

an ownership interest in a resident-owned mobilehome park that is assessed pursuant to subdivision (b) of Section 62.1.

(5) "Equal or lesser value" means that the amount of the full cash value of a replacement dwelling does not exceed one of the following:

(A) One hundred percent of the amount of the full cash value of the original property if the replacement dwelling is purchased or newly constructed prior to the date of the sale of the original property.

(B) One hundred and five percent of the amount of the full cash value of the original property if the replacement dwelling is purchased or newly constructed within the first year following the date of the sale of the original property.

(C) One hundred and ten percent of the amount of the full cash value of the original property if the replacement dwelling is purchased or newly constructed within the second year following the date of the sale of the original property.

For the purposes of this paragraph, except as otherwise provided in paragraph (4) of subdivision (h), if the replacement dwelling is, in part, purchased and, in part, newly constructed, the date the "replacement dwelling is purchased or newly constructed" is the date of purchase or the date of completion of construction, whichever is later.

(6) "Full cash value of the replacement dwelling" means its full cash value, determined in accordance with Section 110.1, as of the date on which it was purchased or new construction was completed, and after the purchase or the completion of new construction.

(7) "Full cash value of the original property" means, either:

(A) Its new base year value, determined in accordance with subdivision (e), without the application of subdivision (h) of Section 2 of Article XIII A of the California Constitution, plus the adjustments permitted by subdivision (b) of Section 2 of Article XIII A and subdivision (f) of Section 110.1 for the period from the date of its sale by the claimant to the date on which the replacement property was purchased or new construction was completed.

(B) In the case where the original property has been substantially damaged or destroyed by misfortune or calamity and the owner does not rebuild on the original property, its full cash value, as determined in accordance with Section 110, immediately prior to its substantial damage or destruction by misfortune or calamity, as determined by the county assessor of the county in which the property is located, without the application of subdivision (h) of Section 2 of Article XIII A of the California Constitution, plus the adjustments permitted by subdivision (b) of Section 2 of Article XIII A of the California Constitution and subdivision (f) of Section 110.1, for the period from the date of its sale by the claimant to the date on which the replacement property was purchased or new construction was completed.

(8) "Sale" means any change in ownership of the original property for consideration.

(9) "Claimant" means any person claiming the property tax relief provided by this section. If a spouse of that person is a record owner of the replacement dwelling, the spouse is also a claimant for purposes of determining whether in any future claim filed by the spouse under this section the condition of eligibility specified in paragraph (7) of subdivision (b) has been met.

(10) "Property that is eligible for the homeowners' exemption" includes property that is the principal place of residence of its owner and is entitled to exemption pursuant to Section 205.5.

(11) "Person" means any individual, but does not include any firm, partnership, association, corporation, company, or other legal entity or organization of any kind. "Person" includes an individual who is the present beneficiary of a trust.

(12) "Severely and permanently disabled" means any person described in subdivision (b) of Section 74.3.

(13) For the purposes of this section, property is "substantially damaged or destroyed by misfortune or calamity" if either the land or the improvements sustain physical damage amounting to more than 50 percent of either the land's or the improvement's full cash value immediately prior to the misfortune or calamity. Damage



includes a diminution in the value of property as a result of restricted access to the property where the restricted access was caused by the misfortune or calamity and is permanent in nature.

(h) (1) Upon the timely filing of a claim described in subparagraph (F) of paragraph (1) of subdivision (f), the assessor shall adjust the new base year value of the replacement dwelling in conformity with this section. This adjustment shall be made as of the latest of the following dates:

(A) The date the original property is sold.

(B) The date the replacement dwelling is purchased.

(C) The date the new construction of the replacement dwelling is completed.

(2) Any taxes that were levied on the replacement dwelling prior to the filing of the claim on the basis of the replacement dwelling's new base year value, and any allowable annual adjustments thereto, shall be canceled or refunded to the claimant to the extent that the taxes exceed the amount that would be due when determined on the basis of the adjusted new base year value.

(3) Notwithstanding Section 75.10, Chapter 3.5 (commencing with Section 75) shall be utilized for purposes of implementing this subdivision, including adjustments of the new base year value of replacement dwellings acquired prior to the sale of the original property.

(4) In the case where a claim under this section has been timely filed and granted, and new construction is performed upon the replacement dwelling subsequent to the transfer of base year value, the property tax relief provided by this section also shall apply to the replacement dwelling, as improved, and thus there shall be no reassessment upon completion of the new construction if both of the following conditions are met:

(A) The new construction is completed within two years of the date of the sale of the original property and the owner notifies the assessor in writing of completion of the new construction within six months after completion.

(B) The fair market value of the new construction on the date of completion, plus the full cash value of the replacement dwelling on the date of acquisition, is not

more than the full cash value of the original property as determined pursuant to paragraph (7) of subdivision (g) for purposes of granting the original claim.

(i) Any claimant may rescind a claim for the property tax relief provided by this section and shall not be considered to have received that relief for purposes of paragraph (7) of subdivision (b), and the assessor shall grant the rescission, if a written notice of rescission is delivered to the office of the assessor as follows:

(1) A written notice of rescission signed by the original filing claimant or claimants is delivered to the office of the assessor in which the original claim was filed.

(2) (A) Except as otherwise provided in this paragraph, the notice of rescission is delivered to the office of the assessor before the date that the county first issues, as a result of relief granted under this section, a refund check for property taxes imposed upon the replacement dwelling. If granting relief will not result in a refund of property taxes, then the notice shall be delivered before payment is first made of any property taxes, or any portion thereof, imposed upon the replacement dwelling consistent with relief granted under this section. If payment of the taxes is not made, then notice shall be delivered before the first date that those property taxes, or any portion thereof, imposed upon the replacement dwelling, consistent with relief granted under this section, are delinquent.

(B) Notwithstanding any other provision in this division, any time the notice of rescission is delivered to the office of the assessor within six years after relief was granted, provided that the replacement property has been vacated as the claimant's principal place of residence within 90 days after the original claim was filed, regardless of whether the property continues to receive the homeowners' exemption. If the rescission increases the base year value of a property, or the homeowners' exemption has been incorrectly allowed, appropriate escape assessments or supplemental assessments, including interest as provided in Section 506, shall be imposed. The limitations periods for any escape assessments or supplemental assessments shall not commence until July 1 of the assessment year in which the notice of rescission is delivered to the office of the assessor.

(3) The notice is accompanied by the payment of a fee as the assessor may require, provided that the fee shall not exceed an amount reasonably related to the estimated cost of processing a rescission claim, including both direct costs and developmental and indirect costs, such as costs for overhead, personnel, supplies, materials, office space, and computers.

(j) (1) With respect to the transfer of base year value of original properties to replacement dwellings located in the same county, this section, except as provided in paragraph (3) or (4), shall apply to any replacement dwelling that is purchased or newly constructed on or after November 6, 1986.

(2) With respect to the transfer of base year value of original properties to replacement dwellings located in different counties, except as provided in paragraph (4), this section shall apply to any replacement dwelling that is purchased or newly constructed on or after the date specified in accordance with subparagraph (E) of paragraph (2) of subdivision (a) in the ordinance of the county in which the replacement dwelling is located, but shall not apply to any replacement dwelling which was purchased or newly constructed before November 9, 1988.

(3) With respect to the transfer of base year value by a severely and permanently disabled person, this section shall apply only to replacement dwellings that are purchased or newly constructed on or after June 6, 1990.

(4) The amendments made to subdivision (e) by the act adding this paragraph shall apply only to replacement dwellings under Section 69 that are acquired or newly constructed on or after October 20, 1991, and shall apply commencing with the 1991–92 fiscal year.

(k) (1) In the case in which a county adopts an ordinance pursuant to paragraph (2) of subdivision (a) that establishes an applicable date which is more than three years prior to the date of adoption of the ordinance, those potential claimants who purchased or constructed replacement dwellings more than three years prior to the date of adoption of the ordinance and who would, therefore, be precluded from filing a timely claim, shall be deemed to have timely filed a claim if the claim is filed within three years after

the date that the ordinance is adopted. This paragraph may not be construed as a waiver of any other requirement of this section.

(2) In the case in which a county assessor corrects a base year value to reflect a pro rata change in ownership of a resident-owned mobilehome park that occurred between January 1, 1989, and January 1, 2002, pursuant to paragraph (4) of subdivision (b) of Section 62.1, those claimants who purchased or constructed replacement dwellings more than three years prior to the correction and who would, therefore, be precluded from filing a timely claim, shall be deemed to have timely filed a claim if the claim is filed within three years of the date of notice of the correction of the base year value to reflect the pro rata change in ownership. This paragraph may not be construed as a waiver of any other requirement of this section.

(3) This subdivision does not apply to a claimant who has transferred his or her replacement dwelling prior to filing a claim.

(4) The property tax relief provided by this section, but filed under this subdivision, shall apply prospectively only, commencing with the lien date of the assessment year in which the claim is filed. There shall be no refund or cancellation of taxes prior to the date that the claim is filed.

(l) No escape assessment may be levied if a transfer of base year value under this section has been erroneously granted by the assessor pursuant to an expired ordinance authorizing intercounty transfers of base year value.

(m) (1) The amendments made to subdivisions (b) and (g) of this section by Chapter 613 of the Statutes of 2001 shall apply:

(A) With respect to the transfer of base year value of original properties to replacement dwellings located in the same county, to any replacement dwelling that is purchased or newly constructed on or after November 6, 1986.

(B) With respect to the transfer of base year value of original properties to replacement dwellings located in different counties, to any replacement dwelling that is purchased or newly constructed on or after the date specified in accordance with subparagraph (E) of paragraph (2) of subdivision (a) in the ordinance of the county in

which the replacement dwelling is located, but not to any replacement dwelling that was purchased or newly constructed before November 9, 1988.

(C) With respect to the transfer of base year value by a severely and permanently disabled person, to replacement dwellings that are purchased or newly constructed on or after June 6, 1990.

(2) The property tax relief provided by this section in accordance with this subdivision shall apply prospectively only commencing with the lien date of the assessment year in which the claim is filed. There shall be no refund or cancellation of taxes prior to the date that the claim is filed.

(n) A claim filed under this section is not a public document and is not subject to public inspection, except that a claim shall be available for inspection by the claimant or the claimant's spouse, the claimant's or the claimant's spouse's legal representative, the trustee of a trust in which the claimant or the claimant's spouse is a present beneficiary, and the executor or administrator of the claimant's or the claimant's spouse's estate.

(o) The amendments made to this section by the act adding this subdivision shall apply commencing with the lien date for the 2012–13 fiscal year.

(p) This section shall remain effect only until January 1, 2019, and as of that date is repealed.

SECTION 4. Section 69.5 is added to the Revenue and Taxation Code, to read:

69.5. (a) (1) Notwithstanding any other law, pursuant to subdivision (a) of Section 2 of Article XIII A of the California Constitution, the base year value of property that is eligible for the homeowners' exemption under subdivision (k) of Section 3 of Article XIII of the California Constitution and Section 218 of any person, regardless of age or disability and subject to the procedures provided in this section, shall be transferred to any replacement dwelling, regardless of the value of the replacement dwelling, that is located within the same county and is purchased or newly constructed by that person as his or her principal residence within two years of the sale by that person of the original property, provided that the base year value of the original property

shall not be transferred to the replacement dwelling until the original property is sold.

(2) For purposes of calculating the base year value of a replacement dwelling, the following shall apply:

(A) For any replacement dwelling of greater value and purchased or newly constructed by a person eligible to transfer the base year value of his or her original property within two years of the sale of the original property, the base year value of the replacement dwelling shall be calculated by adding the difference between the full cash value of the original property and the full cash value of the replacement dwelling to the base year value of the original property.

(B) For any replacement dwelling of equal or lesser value purchased or newly constructed by a person eligible to transfer the base year value of his or her original property within two years of the sale of the original property, the base year value of the replacement dwelling shall be calculated by dividing the base year value of the original property by the full cash value of the original property and multiplying the result by the full cash value of the replacement dwelling.

(3) Notwithstanding the limitation in paragraph (1) requiring that the original property and the replacement dwelling be located in the same county, a county board of supervisors, after consultation with local affected agencies within the boundaries of the county, may adopt an ordinance making the provisions of paragraph (1) also applicable to situations in which a replacement dwelling is located in that county and the original property is located in another county within this state. An ordinance adopted by the board of supervisors pursuant to this paragraph shall comply with all of the following requirements:

(A) The ordinance is adopted only after consultation between the board of supervisors and all other local affected agencies within the county's boundaries.

(B) The ordinance requires that all claims for transfers of the base year value from the original property located in another county be granted if the claims meet the applicable requirements of both subdivision (a) of Section 2 of Article XIII A of the California Constitution and this section.

(C) The ordinance requires that all base year valuations of original property located in another county and determined by its assessor be accepted in connection with the granting of claims for transfers of the base year value.

(D) The ordinance provides that its provisions are operative for a period of not less than five years.

(E) (i) The ordinance specifies the date on and after which its provisions shall be applicable. However, the date specified shall not be earlier than January 1, 2019. The specified applicable date may be a date earlier than the date the county adopts the ordinance.

(ii) If a county has adopted an ordinance pursuant to paragraph (4) of subdivision (a) of Section 2 of Article XIII A of the California Constitution, that ordinance shall not be effective for transfers of the base year value subject to this section on and after January 1, 2019, unless the board of supervisors amends it to make necessary revisions to comply with paragraph (6) of subdivision (a) of Section 2 of Article XIII A of the California Constitution and this section.

(b) In addition to meeting the requirements of subdivision (a), any person entitled to the property tax relief provided by this section shall be eligible for that relief only if the following conditions are met:

(1) The person is an owner and a resident of the original property either at the time of its sale, or at the time when the original property was substantially damaged or destroyed by misfortune or calamity, or within two years of the purchase or new construction of the replacement dwelling.

(2) The original property is eligible for the homeowners' exemption, as the result of the person's ownership and occupation of the property as his or her principal residence, either at the time of its sale, or at the time when the original property was substantially damaged or destroyed by misfortune or calamity, or within two years of the purchase or new construction of the replacement dwelling.

(3) At the time of filing for the property tax relief provided by subdivision (a), the person is an owner of a replacement dwelling and occupies it as his or her principal

place of residence and, as a result thereof, the property is currently eligible for the homeowners' exemption or would be eligible for the exemption except that the property is already receiving the exemption because of an exemption filed by the previous owner.

(4) The original property of the person is sold by him or her within two years of the purchase or new construction of the replacement dwelling. For purposes of this paragraph, the purchase or new construction of the replacement dwelling includes the purchase of that portion of land on which the replacement building, structure, or other shelter constituting a place of abode of the person will be situated and that, pursuant to paragraph (2) of subdivision (g), constitutes a part of the replacement dwelling.

(5) Unless the board of supervisors has adopted an ordinance pursuant to paragraph (3) of subdivision (a) to the contrary, the replacement dwelling, including that portion of land on which it is situated that is specified in paragraph (4), is located entirely within the same county as the claimant's original property.

(c) (1) The property tax relief provided by this section shall be available if the original property or the replacement dwelling, or both, of the person includes, but is not limited to, either of the following:

(A) A unit or lot within a cooperative housing corporation, a community apartment project, a condominium project, or a planned unit development. If the unit or lot constitutes the original property of the person, the assessor shall transfer to the person's replacement dwelling only the base year value of the person's unit or lot and his or her share in any common area reserved as an appurtenance of that unit or lot. If the unit or lot constitutes the replacement dwelling of the person, the assessor shall transfer the base year value of the person's original property only to the unit or lot of the claimant and any share of the person in any common area reserved as an appurtenance of that unit or lot.

(B) A manufactured home or a manufactured home and any land owned by the person on which the manufactured home is situated. For purposes of this paragraph, "land owned by the person" includes a pro rata interest in a resident-owned mobilehome



park that is assessed pursuant to subdivision (b) of Section 62.1.

(i) If the manufactured home or the manufactured home and the land on which it is situated constitutes the person's original property, the assessor shall transfer to the person's replacement dwelling either the base year value of the manufactured home or the base year value of the manufactured home and the land on which it is situated, as appropriate. If the manufactured home dwelling that constitutes the original property of the person includes an interest in a resident-owned mobilehome park, the assessor shall transfer to the person's replacement dwelling the base year value of the person's manufactured home and his or her pro rata portion of the real property of the park. No transfer of base year value shall be made by the assessor of that portion of land that does not constitute a part of the original property, as provided in paragraph (3) of subdivision (g).

(ii) If the manufactured home or the manufactured home and the land on which it is situated constitutes the claimant's replacement dwelling, the assessor shall transfer the base year value of the claimant's original property either to the manufactured home or the manufactured home and the land on which it is situated, as appropriate. If the manufactured home dwelling that constitutes the replacement dwelling of the claimant includes an interest in a resident-owned mobilehome park, the assessor shall transfer the base year value of the claimant's original property to the manufactured home of the claimant and his or her pro rata portion of the park. No transfer of base year value shall be made by the assessor to that portion of land that does not constitute a part of the replacement dwelling, as provided in paragraph (2) of subdivision (g).

(2) This subdivision shall be subject to the limitations specified in subdivision (d).

(d) The property tax relief provided by this section shall be available to a person who is the coowner of the original property, as a joint tenant, a tenant in common, a community property owner, or a present beneficiary of a trust subject to the following limitations:

(1) If a single replacement dwelling is purchased or newly constructed by all of

the coowners and each coowner retains an interest in the replacement dwelling, the person filing for the transfer of base year value shall be eligible under this section whether or not any or all of the remaining coowners would otherwise be eligible.

(2) If two or more replacement dwellings are separately purchased or newly constructed by two or more coowners and more than one coowner would otherwise be eligible to transfer base year value pursuant to this section, all coowners shall have the base year value of the original property transferred to any replacement dwelling in proportion to their ownership interest in the original property. In the case of coowners whose original property is a multiunit dwelling, the limitation imposed by this paragraph shall only apply to coowners who occupied the same dwelling unit within the original property at the time specified in paragraph (2) of subdivision (b).

(e) Upon the sale of original property, the assessor shall determine a new base year value for that property in accordance with subdivision (a) of Section 2 of Article XIII A of the California Constitution and Section 110.1, whether or not a replacement dwelling is subsequently purchased or newly constructed by the former owner or owners of the original property. This section shall not apply unless the transfer of the original property is a change in ownership that either (1) subjects that property to reappraisal at its current fair market value in accordance with Section 110.1 or 5803 or (2) results in a base year value determined in accordance with this section, Section 69, or Section 69.3 because the property qualifies under this section, Section 69, or Section 69.3 as a replacement dwelling or property.

(f) (1) A person entitled the property tax relief provided by this section shall provide to the assessor, on a form that shall be designed by the State Board of Equalization and that the assessor shall make available upon purchase of the replacement dwelling at the time in which the replacement dwelling would ordinarily be subject to reappraisal at its current fair market value, the following information:

(A) The name and social security number of each person who resides at the property and who is eligible for the homeowner's exemption.

(B) The address and, if known, the assessor's parcel number of the original

property.

(C) The date of the sale of the person's original property and the date of the purchase or new construction of a replacement dwelling.

(D) A statement by the person that he or she occupied the replacement dwelling as his or her principal place of residence on the date of the filing of his or her claim.

(2) The form required by this subdivision shall be filed within three years of the date the replacement dwelling was purchased or the new construction of the replacement dwelling was completed. Any form filed after the expiration of the filing period set forth in this paragraph shall be considered by the assessor, subject to all of the following conditions:

(A) Any base year value transfer granted pursuant to that filing shall apply commencing with the lien date of the assessment year in which the form is filed.

(B) The full cash value of the replacement property in the assessment year described in subparagraph (A) shall be the base year value of the real property in the assessment year in which the base year value was transferred, factored to the assessment year described in subparagraph (A) for both of the following:

(i) Inflation as annually determined in accordance with paragraph (1) of subdivision (a) of Section 51.

(ii) Any subsequent new construction occurring with respect to the subject real property that does not qualify for property tax relief pursuant to the criteria set forth in paragraph (4) of subdivision (h).

(g) For purposes of this section, the following definitions shall apply:

(1) (A) "Base year value of the original property" means its base year value, as determined in accordance with Section 110.1, with the adjustments permitted by subdivision (b) of Section 2 of Article XIII A of the California Constitution and subdivision (f) of Section 110.1, determined as of the date immediately prior to the date that the original property is sold by the claimant, or in the case where the original property has been substantially damaged or destroyed by misfortune or calamity and the owner does not rebuild on the original property, determined as of the date

immediately prior to the misfortune or calamity.

(B) If the replacement dwelling is purchased or newly constructed after the transfer of the original property, “base year value of the original property” also includes any inflation factor adjustments permitted by subdivision (f) of Section 110.1 for the period subsequent to the sale of the original property. The base year or years used to compute the “base year value of the original property” shall be deemed to be the base year or years of any property to which that base year value is transferred pursuant to this section.

(2) “Replacement dwelling” means a building, structure, or other shelter constituting a place of abode, whether real property or personal property, that is owned and occupied by a person as his or her principal place of residence, and any land owned by the person on which the building, structure, or other shelter is situated. For purposes of this paragraph, land constituting a part of a replacement dwelling includes only that area of reasonable size that is used as a site for a residence, and “land owned by the person” includes land for which the person either holds a leasehold interest described in subdivision (c) of Section 61 or a land purchase contract. Each unit of a multiunit dwelling shall be considered a separate replacement dwelling. For purposes of this paragraph, “area of reasonable size that is used as a site for a residence” includes all land if any nonresidential uses of the property are only incidental to the use of the property as a residential site. For purposes of this paragraph, “land owned by the person” includes an ownership interest in a resident-owned mobilehome park that is assessed pursuant to subdivision (b) of Section 62.1.

(3) “Original property” means a building, structure, or other shelter constituting a place of abode, whether real property or personal property, that is owned and occupied by a person as his or her principal place of residence, and any land owned by the person on which the building, structure, or other shelter is situated. For purposes of this paragraph, land constituting a part of the original property includes only that area of reasonable size that is used as a site for a residence, and “land owned by the person” includes land for which the person either holds a leasehold interest described in

subdivision (c) of Section 61 or a land purchase contract. Each unit of a multiunit dwelling shall be considered a separate original property. For purposes of this paragraph, "area of reasonable size that is used as a site for a residence" includes all land if any nonresidential uses of the property are only incidental to the use of the property as a residential site. For purposes of this paragraph, "land owned by the person" includes an ownership interest in a resident-owned mobilehome park that is assessed pursuant to subdivision (b) of Section 62.1.

(4) "Full cash value of the replacement dwelling" means its full cash value, determined in accordance with Section 110.1, as of the date on which it was purchased or new construction was completed, and after the purchase or the completion of new construction.

(5) "Full cash value of the original property" means, either:

(A) Its new base year value, determined in accordance with subdivision (e), without the application of subdivision (h) of Section 2 of Article XIII A of the California Constitution, plus the adjustments permitted by subdivision (b) of Section 2 of Article XIII A and subdivision (f) of Section 110.1 for the period from the date of its sale by the person to the date on which the replacement property was purchased or new construction was completed.

(B) In the case where the original property has been substantially damaged or destroyed by misfortune or calamity and the owner does not rebuild on the original property, its full cash value, as determined in accordance with Section 110, immediately prior to its substantial damage or destruction by misfortune or calamity, as determined by the county assessor of the county in which the property is located, without the application of subdivision (h) of Section 2 of Article XIII A of the California Constitution, plus the adjustments permitted by subdivision (b) of Section 2 of Article XIII A of the California Constitution and subdivision (f) of Section 110.1, for the period from the date of its sale by the person to the date on which the replacement property was purchased or new construction was completed.

(6) "Sale" means any change in ownership of the original property for

consideration.

(7) "Person" means any individual, but not any firm, partnership, association, corporation, company, or other legal entity or organization of any kind, who files for the property tax relief provided by this section. "Person" includes an individual who is the present beneficiary of a trust.

(8) "Property that is eligible for the homeowners' exemption" includes property that is the principal place of residence of its owner and is entitled to exemption pursuant to Section 205.5.

(9) Property is "substantially damaged or destroyed by misfortune or calamity" if either the land or the improvements sustain physical damage amounting to more than 50 percent of either the land's or the improvement's full cash value immediately prior to the misfortune or calamity. Damage includes a diminution in the value of property as a result of restricted access to the property where the restricted access was caused by the misfortune or calamity and is permanent in nature.

(h) (1) Upon the timely filing of a form, as described in subdivision (f), the assessor shall adjust the new base year value of the replacement dwelling in conformity with this section. This adjustment shall be made as of the latest of the following dates:

(A) The date the original property is sold.

(B) The date the replacement dwelling is purchased.

(C) The date the new construction of the replacement dwelling is completed.

(2) Any taxes that were levied on the replacement dwelling prior to the filing for the property tax relief provided by this section on the basis of the replacement dwelling's new base year value, and any allowable annual adjustments to that new base year value, shall be canceled or refunded to the person to the extent that the taxes exceed the amount that would be due when determined on the basis of the adjusted new base year value.

(3) Notwithstanding Section 75.10, Chapter 3.5 (commencing with Section 75) shall be utilized for purposes of implementing this subdivision, including adjustments of the new base year value of replacement dwellings acquired prior to the sale of the

original property.

(4) In the case where a form under this section has been timely filed, and new construction is performed upon the replacement dwelling subsequent to the transfer of base year value, the property tax relief provided by this section also shall apply to the replacement dwelling, as improved, and thus there shall be no reassessment upon completion of the new construction if the new construction is completed within two years of the date of the sale of the original property and the owner notifies the assessor in writing of completion of the new construction within six months after completion

(i) (1) With respect to the transfer of the base year value of original properties to replacement dwellings, this section shall apply to any replacement dwelling that is purchased or newly constructed on or after January 1, 2019.

(2) With respect to the transfer of the base year value of original properties to replacement dwellings located in different counties, this section shall apply to any replacement dwelling that is purchased or newly constructed on or after the date specified, in accordance with subparagraph (E) of paragraph (3) of subdivision (a), in the ordinance of the county in which the replacement dwelling is located, but shall not apply to any replacement dwelling which was purchased or newly constructed before January 1, 2019.

(j) A form filed under this section is not a public document and is not subject to public inspection, except that the form shall be available for inspection by the person or his or her spouse, the person's or his or her spouse's legal representative, the trustee of a trust in which the person or his or her spouse is a present beneficiary, and the executor or administrator of the person's or his or her spouse's estate.

(k) This section shall become operative on January 1, 2019.

SECTION 5. The statutory provisions of this measure may be amended by a two-thirds vote of the members of each house of the Legislature and signed by the Governor so long as the amendments are consistent with and further the intent of this act.

SECTION 6. The provisions of this act are severable. If any provision of this act or its application is held invalid, that invalidity shall not affect other provisions or

applications that can be given effect without the invalid provision or application.



The Attorney General of California has prepared the following title and summary of the chief purpose and points of the proposed measure:

**CHANGES REQUIREMENTS FOR CERTAIN PROPERTY OWNERS TO TRANSFER  
THEIR PROPERTY TAX BASE TO REPLACEMENT PROPERTY. INITIATIVE**

**CONSTITUTIONAL AMENDMENT AND STATUTE.** Removes the following current requirements for homeowners to transfer their property tax base to a replacement residence: that the homeowner be over 55 or severely disabled, replacement property be of equal or lesser value, and the transfer occur only once. Removes similar replacement-value requirement on transfers for contaminated or disaster-destroyed property. Requires adjustments to the replacement property's tax base, based on the new property's value. Retains requirement that new residence or property be in a specific county. Summary of estimate by Legislative Analyst and Director of Finance of fiscal impact on state and local government: **Annual property tax losses for cities, counties, and special districts of around a couple hundred million dollars in the near term, growing over time to as much as a couple billion dollars per year (in today's dollars). Annual property tax losses for schools of around a couple hundred million dollars in the near term, growing over time to as much as a couple billion dollars per year (in today's dollars). Increase in state costs for schools of an equivalent amount in most years.**

(17-0012.)



AP17:071

**FOR IMMEDIATE RELEASE**

**September 26, 2017**

**CONTACT:**

**Jesse Melgar or Sam Mahood**

**(916) 653-6575**

## **Proposed Initiative Enters Circulation**

***Changes Requirements for Certain Property Owners to Transfer Their Property Tax Base to Replacement Property. Initiative Constitutional Amendment and Statute.***

**SACRAMENTO** – Secretary of State Alex Padilla announced the proponent of a new initiative was cleared to begin collecting petition signatures yesterday.

The Attorney General prepares the legal title and summary that is required to appear on initiative petitions. When the official language is complete, the Attorney General forwards it to the proponent and to the Secretary of State, and the initiative may be circulated for signatures. The Secretary of State then provides calendar deadlines to the proponent and to county elections officials. The Attorney General's official title and summary for the measure is as follows:

**CHANGES REQUIREMENTS FOR CERTAIN PROPERTY OWNERS TO TRANSFER THEIR PROPERTY TAX BASE TO REPLACEMENT PROPERTY. INITIATIVE CONSTITUTIONAL AMENDMENT AND STATUTE.** Removes the following current requirements for homeowners to transfer their property tax base to a replacement residence: that the homeowner be over 55 or severely disabled, replacement property be of equal or lesser value, and the transfer occur only once. Removes similar replacement-value requirement on transfers for contaminated or disaster-destroyed property. Requires adjustments to the replacement property's tax base, based on the new property's value. Retains requirement that new residence or property be in a specific county. Summary of estimate by Legislative Analyst and Director of Finance of fiscal impact on state and local government: **Annual property tax losses for cities, counties, and special districts of around a couple hundred million dollars in the near term, growing over time to as much as a couple billion dollars per year (in today's dollars). Annual property tax losses for schools of around a couple hundred million dollars in the near term, growing over time to as much as a couple billion dollars per year (in today's dollars). Increase in state costs for schools of an equivalent amount in most years. (17-0012.)**

The Secretary of State's tracking number for this measure is 1808 and the Attorney General's tracking number is 17-0012.

The proponent of the measure, Alexander E. Creel, must collect the signatures of 585,407 registered voters (eight percent of the total votes cast for Governor in the November 2014 general election) in order to qualify it for the ballot. The proponent has 180 days to circulate petitions for the measure, meaning the signatures must be submitted to county elections officials no later than March 26, 2018. The proponent can be reached c/o Christopher C. Carlisle at (916) 492-5200.

###

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September 8, 2017

RECEIVED

SEP 08 2017

Hon. Xavier Becerra  
Attorney General  
1300 I Street, 17<sup>th</sup> Floor  
Sacramento, California 95814

INITIATIVE COORDINATOR  
ATTORNEY GENERAL'S OFFICE

Attention: Ms. Ashley Johansson  
Initiative Coordinator

Dear Attorney General Becerra:

Pursuant to Elections Code Section 9005, we have reviewed the proposed constitutional and statutory initiative (A.G. File No. 17-0012, Amdt. #1) related to property tax assessment.

## Background

**Local Governments Levy Taxes on Property Owners.** Local governments—cities, counties, schools, and special districts—in California levy property taxes on property owners based on the value of their property. Property taxes are a major revenue source for local governments, raising nearly \$60 billion annually. Although the state receives no property tax revenue, property tax collections affect the state's budget. This is because state law guarantees schools and community colleges (schools) a minimum amount of funding each year through a combination of property taxes and state funds. If property taxes received by schools decrease (increase), state funding generally must increase (decrease).

**Property Taxes Are Based on a Home's Purchase Price.** Each property owner's annual property tax bill is equal to the taxable value of their property—or assessed value—multiplied by their property tax rate. Property tax rates are capped at 1 percent plus smaller voter-approved rates to finance local infrastructure. A property's assessed value is based on its purchase price. In the year a property is purchased, it is taxed at its purchase price. Each year thereafter, the property's taxable value increases by 2 percent or the rate of inflation, whichever is lower. This process continues until the property is sold and again is taxed at its purchase price.

**Movers Often Face Increased Property Tax Bills.** An existing homeowner often faces a higher property tax bill when she purchases a new home. Most homeowners who have lived in their homes for a few years or more pay taxes based on assessed values that are less than their homes' market values—what the homes could be sold for. This difference typically widens the longer a home is owned. This is because in most years the market value of most properties grows faster than 2 percent. When an existing homeowner purchases a new home, however, his or her assessed value is set to the market value of the new home. If the new home's market value is similar to or greater than the prior home, the new home's assessed value is likely to exceed the old home's assessed value. Even when the new home's market value is lower, the new home's assessed value can be higher than the prior

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home's if the prior home had been lived in for many years. A higher assessed value, in turn, leads to higher property tax payments for the home buyer.

***Special Rules for Older Homeowners.*** While most homeowners face higher property taxes when buying a new home, in certain cases special rules apply to homeowners 55 and older. When moving within the same county, a homeowner who is 55 or older can transfer the assessed value of their existing home to a new home if the market value of the new home is equal to or less than their existing home. Further, counties may choose to allow homeowners 55 and older to transfer their assessed values from homes in different counties to new homes in their county. A county board of supervisors can permit such transfers by adopting a local ordinance. Currently, 11 counties (Alameda, El Dorado, Los Angeles, Orange, Riverside, San Bernardino, San Diego, San Mateo, Santa Clara, Tuolumne, and Ventura) allow these transfers. Whether within a county or across counties, a homeowner can transfer their assessed value only once in their lifetime.

***Potential of Higher Property Taxes May Discourage Some Movers.*** Some research suggests that potential movers may be discouraged by the possibility of paying more property taxes. For example, homeowners 55 and older appear more likely to move in response to special rules allowing them to transfer their existing assessed value to a new home. California homeowners who were 55 years old were around 20 percent more likely to move in 2014 than 54 year old homeowners. This suggests that some homeowners who were interested in moving delayed doing so to avoid paying higher property taxes.

***Other Taxes on Home Purchases.*** Cities and counties impose taxes on the transfer of homes and other real estate. These transfer taxes are based on the value of the property being transferred. Transfer taxes are equal to \$1.10 per \$1,000 of property value in most locations, but exceed \$20 per \$1,000 of property in some cities. Statewide, transfer taxes raise around \$1.1 billion for cities and counties.

***Counties Administer the Property Tax.*** County assessors determine the taxable value of property, county tax collectors bill property owners, and county auditors distribute the revenue among local governments. Statewide, county spending for assessors' offices totals around \$550 million each year. County costs for property tax collectors and auditors are unknown but much smaller.

## Proposal

***Reduces or Eliminates Property Tax Increases For Movers.*** The measure reduces or eliminates the property tax increase faced by many existing California homeowners when buying a new home. To do so, the measure changes how assessors determined the assessed value of a home purchased by an existing homeowner. These new rules apply to homeowners of all ages who are moving within the same county or to a county that has elected to allow the rules to apply to out-of-county movers. The rules also apply to an unlimited number of moves by an individual homeowner. These changes would take effect January 1, 2019.

***Ties Assessed Value of a New Home to Assessed Value of Prior Home.*** Under the measure, the assessed value of a home purchased by an existing homeowner would be tied to the assessed value of the buyer's prior home. If the new and old home have the *same* market value, the assessed value of

the new home would be the assessed value of the prior home. If the market value of the new home is *higher than* the prior home, the assessed value of the prior home would be adjusted upward. This adjusted value would be greater than the prior home's assessed value but less than the new home's market value. Conversely, if the market value of the new home is *less than* the prior home, the assessed value of the prior home would be adjusted downward. The measure specifies a formula to be used to make these upward and downward adjustments.

**An Example.** To see how the measure's formulas work, consider the types of home purchases a family might make over their lifetime:

- ***Young Couple Purchases a Small Home.*** A young couple purchases their first home for \$200,000. Because it is their first home, the assessed value is set at the home's purchase price: \$200,000.
- ***Couple Has Kids, Buys Bigger Home.*** Five years later, the home's assessed value increases to \$220,000. The couple now has two children and has decided to purchase a larger home for \$500,000. They also sell their old home for \$400,000. The assessed value of their new home will be \$320,000: \$220,000 (assessed value of their prior home) plus \$100,000 (\$500,000 [the new home's market value] minus \$400,000 [the prior home's market value]).
- ***"Empty Nesters" Downsize.*** Twenty years later, the assessed value of this family's home increases to \$475,000. The couple is in their early 50s, and their children have moved out of the house. They decide to downsize, buying a condo for \$800,000. They also sell their old home for \$1 million. Under the measure, the assessed value of their new condo would be \$380,000: \$475,000 (assessed value of their prior home) multiplied by 0.8 (\$800,000 [the new home's market value] divided by \$1 million [the prior home's market value]).

## Fiscal Effect

***Effects Depend on County Participation.*** The measure's fiscal and economic effects would depend on the number of counties that chose to allow the measure's rules to apply to moves across counties. Our estimates below assume modest county participation. Should county participation be more widespread, the effects we describe would be larger.

***Effects on Real Estate Markets.*** The measure would have a variety of effects on real estate markets throughout California. Most notably, the measure likely would change the number of homes bought and sold each year and the prices of those homes.

***Increase Home Sales.*** Because the measure reduces or eliminates the property tax increase faced by existing homeowners who purchase a new home, it likely would encourage more homeowners to sell their existing homes and buy other homes. In recent years, between 350,000 and 450,000 homes have sold each year in California. Under the measure, home sales could increase by as much as tens of thousands per year.

***Unclear Effect on Home Prices.*** The measure would increase the number of home buyers and sellers, as well as change how much buyers are willing to pay for a home. The net effect of these changes on home prices is unclear.



***Reduced Property Tax Revenues to Local Governments.*** By reducing the increase in property taxes that typically accompanies an existing homeowner's purchase of a new home, the measure would reduce property tax revenues for local governments. Additional property taxes created by an increase in home sales would partially offset these losses, but on net property taxes would decrease. In the first few years, property tax losses likely would be a few hundred million dollars per year, with schools and other local governments (cities, counties, and special districts) each losing around a couple hundred million dollars annually. Over time these losses would grow, likely reaching a few billion dollars per year (in today's dollars) in the long term, with schools and other local governments each losing up to a couple billion dollars annually.

***More State Spending for Schools.*** Most schools' property tax losses would be offset by increased state funding. In the short term, annual state costs for schools would increase by around a couple hundred million dollars. In the long term, annual state costs for schools would grow by up to a couple billion dollars (in today's dollars).

***Increase in Property Transfer Taxes.*** As the measure likely would increase home sales, it also would increase property transfer taxes collected by cities and counties. This revenue increase likely would be in the tens of millions of dollars per year.


***Higher Administrative Costs for Counties.*** The measure would require county assessors to make process, staffing, and information technology changes. These changes likely would result in one-time costs in the millions of dollars or more, with somewhat smaller ongoing cost increases.

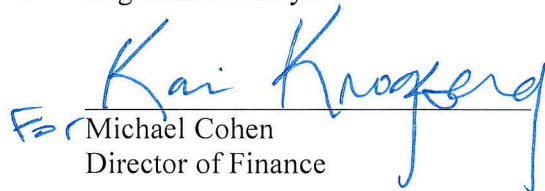
***Summary of Fiscal Effects.***


- Annual property tax losses for cities, counties, and special districts of around a couple hundred million dollars in the near term, growing over time to as much as a couple billion dollars per year (in today's dollars).
- Annual property tax losses for schools of around a couple hundred million dollars in the near term, growing over time to as much as a couple billion dollars per year (in today's dollars). Increase in state costs for schools of an equivalent amount in most years.

Sincerely,



 Mac Taylor  
Legislative Analyst



 Michael Cohen  
Director of Finance